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ABSTRACT

The 1996 welfare law created two block grants, Temporary Assistance for Needy Families (TANF) and the Child Care and Development Fund (CCDF). Since then, employment has increased among low-income mothers, and the number of families receiving welfare has declined. Currently, each state receives a block grant of TANF funds, which they are free to allocate to other needs. The single biggest redirection of TANF funds in 2000 was to child care. The principal source of federal funding for low-income child assistance has been CCDF, but nationally the federal funds redirected from TANF exceeded federal CCDF funds as a source of child care funding. States have become increasingly dependent on TANF as a means to address child care needs. This report discusses the impact of TANF funding on state child care subsidy programs based on a survey of all state TANF agencies about transfer and spending of TANF funds for child care; CCDF administrators were also interviewed in states that available funds showed had at least 20 percent of TANF funds transferred to CCDF. The report addresses the regulations governing TANF allocations and demonstrates trends over time of states transferring TANF funds to CCDF. Findings of key child care policy expansions and improvements made possible by TANF transfers are summarized, as are characteristics of states where TANF funds were directly spent on child care, and the themes of state administrators' concerns regarding TANF fund allocations. The report concludes with recommendations for increased CCDF funding without restricting access to TANF funds for child care. Two appendices summarize data gathered in the study on "the use of TANF for child care in FFY 1999 and 2000: transfers to CCDF and direct spending on child care" and state by state summaries of the "impact and use of transferred TANF funds in high-transfer states through FFY 2000." (Contains 14 endnotes.) (JPB)

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CLASP

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The Impact of TANF Funding on State Child Care Subsidy Programs

Table of Contents

Introduction 5

I. The National Context 5

II. The Law: Using TANF for Child Care 6

III. Committing TANF to Child Care: Trends Over Time 7

IV. A Closer Look at State Use of Transfers and Direct Spending: The Impact of TANF Funds on States, Families, and Children 9

A. Transfers of TANF Funds 9

B. Spending TANF Directly for Child Care 11

C. Issues and Concerns 12

V. Discussion and Recommendations 13

Conclusion 16

Endnotes 17

Appendix A 19

Appendix B 22

INTRODUCTION

Since passage of the 1996 welfare law, the nation's welfare system has changed dramatically, significantly affecting both the need and resources available for child care in states. In the past five years, the labor market improved in ways unforeseen in 1996. Employment increased among low-income mothers, and the number of families receiving welfare declined by more than 50%. Under the law, though, each state receives a block grant of Temporary Assistance for Needy Families (TANF) funds each year, with block grant levels staying essentially constant through 2002. As cash assistance spending has declined, states have been free to reallocate TANF dollars to other needs and purposes. The single biggest redirection has been to child care, amounting to $3.9 billion in 2000. The principal source of federal funding for low-income child care assistance has been the Child Care and Development Fund (CCDF, also called the Child Care and Development Block Grant, or CCDBG), the federal portion of which amounted to $3.4 billion in 2000. Nationally, in 2000, the federal funds redirected from TANF exceeded federal CCDF funds as a source of child care funding, and in some states, federal TANF funds represented a larger share of the state's child care budget than did federal CCDF funds. States have become increasingly dependent on TANF as a means to address child care needs, a factor which has important implications as reauthorization of TANF and CCDF approaches.

I. The National Context

Since 1996, a number of important factors have influenced the need for child care and subsequent state policy decisions. More low-income and single parents are working now, with roughly one million more single mothers in the labor force since 1996.[1] Child care costs remain prohibitively high for low-income families, who pay an average of 16% of their earnings toward child care compared to 6% among higher-income families.[2] Despite the fact that the number of children receiving CCDF subsidies has almost doubled, just 15% of children eligible for child care assistance under state CCDF rules were receiving CCDF assistance, and 12% of children potentially eligible under the maximum allowable federal income guidelines were receiving such assistance in 1999.[3] States have used flexibility allowed under CCDF to make some improvements to child care subsidy policies, though the effects of limited resources are still evident in state eligibility levels, copayment requirements, and payment rates. Some research suggests that the supply of child care and qualified teachers is not keeping up with the needs of working low-income parents and children.[4] High child care teacher turnover is likely to have a negative impact on child well-being, given the important role of stable, responsive caregiver-child relationships in early childhood development.[5]

Concurrently, a number of states have shifted from viewing child care principally as a support for welfare reform to recognizing it as an essential component of a strategy to support workforce participation by low and middle income parents. In addition, many states

are thinking through how best to improve the quality of the child care services provided in order to better meet school readiness needs of children. So, as welfare caseloads declined, the freed-up TANF funds became available to states at the same time as states were concerned about needing to address child care needs for welfare leavers and other low-income families, and as states were becoming increasingly concerned about the need for linkages between child care and efforts to advance school readiness for all children.

II. The Law: Using TANF for Child Care

The 1996 welfare law created, in effect, two block grants: TANF and CCDF.[6] Although the TANF block grant is principally thought of as the "welfare" block grant, states may also use the funds for an array of other purposes, and they may transfer TANF funds to certain other block grants. Rules governing transfer and direct spending were modified in significant ways when the U.S. Department of Health and Human Services (HHS) issued final TANF regulations in April 1999. For most purposes now, it is only important to understand current rules; however, in analyzing spending trends, it is also helpful to understand how the changes affected state choices.

The key rules for using TANF for child care are:[7]

- **A state may transfer up to 30% out of TANF**. A state may transfer up to 30% of *current* year TANF to CCDF, and up to 10% to the Title XX or Social Services Block Grant (SSBG), provided that the total amount transferred cannot exceed 30% of the state's allocation. So, if the state is electing to transfer 10% to SSBG, no more than 20% can be transferred to CCDF.[8] Prior to October 1, 1999, a state could transfer prior year TANF funds, but beginning in Federal Fiscal Year 2000 (FFY 00) that ceased to be allowable. Transferred funds become subject to CCDF or SSBG rules, respectively.

- **A state may spend TANF funds directly for child care.** Expenditures for child care services for low-income families are allowable generally under the purposes of TANF, although it is important to understand the implications of TANF spending rules as to whether the child care will be considered "TANF assistance."[9] States do not have to follow CCDF rules when expending TANF dollars directly for child care, but they may choose to do so.

    - Child care for a family in which an individual is employed is considered "nonassistance"; child care for a family in which no individual is employed is considered assistance *unless* the child care can be treated as a nonrecurrent short term benefit. When a family receives "assistance," TANF time limits, child support enforcement, and data collection requirements also apply; if the child care is considered nonassistance, those requirements do not apply, though the state is free to impose whatever data and other requirements it considers appropriate.

Thus, states have several options for committing TANF funds for child care. The simplest approach is often to transfer TANF funds to CCDF, where the funds become subject to all CCDF rules and requirements. However, the amount transferable to CCDF is capped, and there are some circumstances when a state may not wish to have spending subject to CCDF requirements or cannot transfer prior year TANF funds. A state is free to directly spend TANF on child care in addition to or instead of transferring TANF funds to CCDF.

III. Committing TANF to Child Care: Trends Over Time

States have committed more TANF funds to child care each year since 1996.[10] Transfer and direct spending of TANF funds for child care more than tripled between FFY 98 and FFY 99, in part due to continuing TANF cash assistance caseload decline, and pressure to spend freed up TANF funds. Also, the promulgation of final TANF regulations had the effect of encouraging additional redirection in FFY 99 in two respects: first, the regulations made clear that states would be prohibited from transferring prior year TANF funds once FFY 99 ended; this had the effect of encouraging some states to transfer available FFY 97, 98 and 99 funds. Second, the regulations provided that some child care expenditures could be counted as nonassistance, which made it more feasible for states to directly spend TANF for child care for families not otherwise receiving welfare.

Many observers had expected transfers to decline after the large FFY 99 increase, but that did not turn out to be the case; redirection grew again in FFY 00, with direct spending doubling. Altogether, states transferred $2.4 billion and directly spent $1.5 billion of TANF funds for child care in FFY 00, for a total of $3.9 billion - about 25% of all TANF funds that were either transferred or spent in FFY 00. See Table One.

Table One.

Overview of State Transfers of TANF to CCDF and Direct Spending of TANF Funds for Child Care, 1997-2000

Year	Number of Transfer States	Total Amount Transferred	Number of Direct Spend States	Total Amount of Direct Spend	Total Number of Transfer/Direct Spend States	Total Transfer/Direct
1997	8	$175 million	7	$14.5 million	12	**$189 million**
1998	24	$673.5 million	12	$247 million	29	**$920.5 million**
1999	43	$2.5 billion ($1.8 of FFY 99 funds)	25*	$747 million	46	**$3.3 billion**
2000	44	$2.4 billion	35*	$1.5 billion	49	**$3.9 billion**

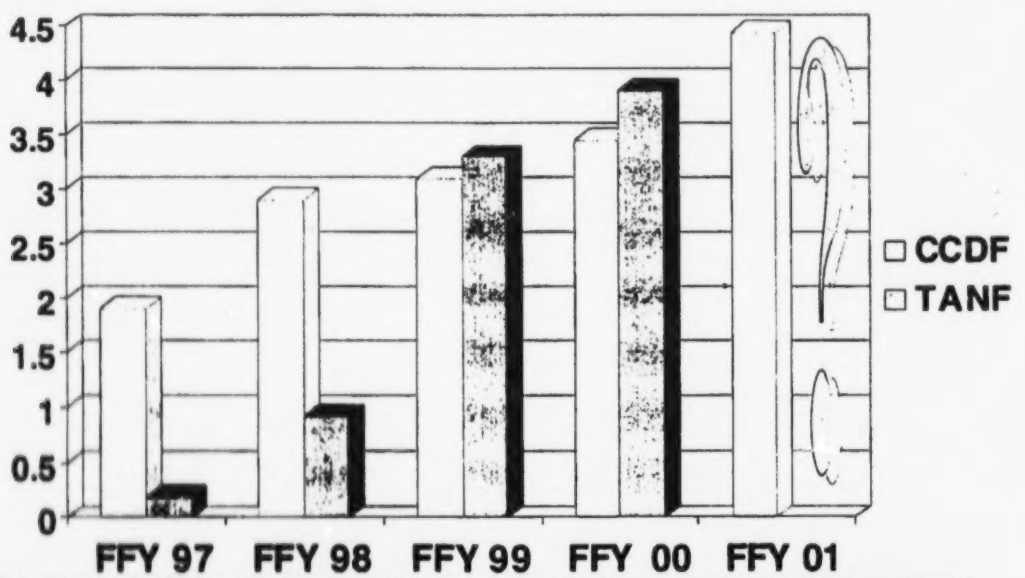
Source: Calculations by CLASP from U.S. Department of Health and Human Services, Administration for Children and Families, *TANF Program Federal Awards, Transfers and Expenditures through 4th Qtr. FY 00.* See also HHS Transfer and Expenditure Data through 4th Qtr FFY 99, FFY 98, and FFY 97. Available at http://www.acf.dhhs.gov/programs/ofs/data/index.htm. FFY 98 Transfer Data also based on *HHS Data, TANF Program Federal Awards, Transfers and Expenditures in FY 98 with FY 97 Federal Funds.*

* Includes Missouri, which spent TANF funds directly in FFY 99 and FFY 00 on after-school child care services.

Although the overall picture is one of growing redirection of TANF to child care, states vary considerably in the extent to which they have come to rely on TANF to fund their child care subsidy systems. Appendix A provides details about each state's redirection of TANF for child care in FFY 99 and FFY 00. In those years, transfers to CCDF range from 0% to 30%, with the most common percentage of transfer at 20%.

In discussing the role of TANF in support of child care, one caution needs to be kept in mind. Under current law, TANF funds must be spent for allowable TANF expenditures, but there is no prohibition against supplantation, i.e., using TANF funds to substitute for existing state funding. So, for example, when we see that a state is spending $1 million in TANF for child care, we cannot determine whether the $1 million represents an expansion, a substitution of federal for state funds, or something in between. The fact that total child care spending is increasing and that a number of states report additional state funding for child care in their MOE expenditures does suggest that much of the TANF spending is new spending, but we cannot readily state how much is new and how much might be substitution of federal funds for prior state spending.[11]

Figure One. TANF Redirection and Federal CCDF Funds Available for Child Care, FFY 1997-2001 (in billions)



Source: Calculations by CLASP from *U.S. Department of Health and Human Services, Administration for Children and Families, TANF Program Federal Awards, Transfers and Expenditures through 4th Qtr. FY 00.* See also HHS Transfer and Expenditure Data through 4th Qtr FFY 99, FFY 98, and FFY 97. All TANF figures based on HHS data, unless noted in Appendix A as state-verified data that differ from HHS data. See Appendix A. Also from the U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau, *FFY 01 Final CCDF Allocations.* See also CCDF data for FFY 00, FFY 99, FFY 98, and FFY 97.

Notes: The ? denotes that data on the amount of FFY 01 TANF committed to child care are not available. The FFY 97 appropriation does not fully reflect the amount of discretionary funds available to states in calendar year 1997. In 1997, only $19 million of the discretionary portion of CCDF was actually released by Congress for state use in FFY 97, while the remaining $937 million was released to states on October 1, 1997 (the first day of FFY 98).

From CLASP's analysis of the available data on state commitment of TANF for child care, there are a set of key trends in the states:

- Nationally, the redirection of TANF to child care in FFY 00 was larger than the entire federal portion of the CCDF allocation — $3.9 billion vs. $3.5 billion. See Figure One.

- Federal TANF funds represented as much or more of the state's child care budget than did federal CCDF funds in fifteen states in FFY 00.

- While only one state transferred the maximum amount possible from TANF to CCDF in FFY 00 (Louisiana transferred 30%), 18 states transferred 20% or more. The most common transfer amount is 20%, because states seek to maximize their transfer options by redirecting 20% to CCDF and 10% to SSBG.

- States committed about 25% of all TANF funds transferred or expended in FFY 00 to child care, with 16 states committing more than 25%.

Thus, TANF funds now comprise a substantial portion of state child care resources in many states, and the availability of TANF funds has been a principal reason for expansions in child care spending since 1996.

IV. A Closer Look at State Use of Transfers and Direct Spending: The Impact of TANF Funds on States, Families, and Children

In an effort to get beyond the aggregate totals, CLASP conducted a survey of all state TANF agencies to gather information about transfer and spending of TANF funds for child care. We also interviewed CCDF administrators in states that available data showed had at least 20% of TANF funds transferred to CCDF in either or both FFY 99 or FFY 00 (referred to below as the "high-transfer states"). The 25 high-transfer states accounted for 60% of all transferred funds in FFY 99, including funds from FFY 97, FFY 98, and FFY 99 TANF awards, and 46% of transferred funds in FFY 00.[12] The following describes what states reported about the impact of TANF on child care subsidy systems.

A. Transfers of TANF Funds

Although most states (44 in FFY 00) are transferring some portion of their TANF block grant to CCDF, what they purchase with the funds, and the impact TANF funds have on the CCDF child care subsidy program varies according to state priorities and policies. States may transfer funds to CCDF to be available for general purposes, or pursuant to a specific purpose. The great majority of the states are transferring TANF to CCDF for general pur-

poses, and often the CCDF lead agencies are making key decisions regarding how best to invest these funds. States have funded an array of important initiatives allowable under CCDF rules, both to expand access and improve the quality of child care (see Appendix B for details). TANF transfer dollars enabled the 25 high-transfer states to:

- **Increase the Number of Children Served:** All of the high-transfer states increased the number of children they served with CCDF dollars as a result of transferred TANF funds. At least 16 of the 25 high-transfer states (Alabama, Alaska, Florida, Idaho, Indiana, Iowa, Kentucky, Massachusetts, Mississippi, Missouri, Montana, New Jersey, Oklahoma, South Dakota, Wisconsin and Wyoming) reduced, eliminated or prevented a child care waiting list in their state using TANF funds.

- **Expand Income Eligibility:** Eleven states expressly noted that they had expanded their income eligibility for child care subsidies with the help of transferred TANF funds (Arizona, Colorado, the District of Columbia, Florida, Kentucky, Maryland, South Dakota, Tennessee, Washington, Wyoming, and Wisconsin).

- **Lower Co-Payment Fees:** Four states (the District of Columbia, Maryland, South Dakota, and Wisconsin) were able to lower their sliding scale co-payment fees, making child care potentially more affordable and accessible for some families.

- **Increase Reimbursement Rates for Child Care Providers:** At least 15 (Arizona, Colorado, the District of Columbia, Florida, Idaho, Illinois, Iowa, Maryland, Massachusetts, Missouri, Montana, New Jersey, North Carolina, Oklahoma, and Tennessee) states raised provider rates. Some of these states targeted rates for specific regions or needs (e.g. infant/toddler, non-traditional hours, special needs). At least six states (Arizona, the District of Columbia, Florida, New Jersey, Oklahoma, and Tennessee) created tiered reimbursement to provide child care providers with an incentive to meet accreditation or other licensing standards.[13]

- **Expand Supply of Quality Child Care:** Since Federal law requires that at least 4% of the CCDF be spent on quality initiatives when states transfer TANF funds to the CCDF, a larger amount of child care funds can and must be spent on quality initiatives. At least 20 states (Alabama, Arizona, the District of Columbia, Colorado, Florida, Iowa, Idaho, Illinois, Indiana, Kentucky, Louisiana, Massachusetts, Montana, New Jersey, Oklahoma, South Dakota, Tennessee, Washington, Wisconsin, Wyoming) used transferred TANF for such quality initiatives as, heightening licensing standards, building supply, improving outreach efforts, funding resource and referral agencies, reorganizing subsidy administration, and improving infant/toddler care. At least 13 states (Arizona, Colorado, the District of Columbia, Iowa, Illinois, Indiana, Louisiana, Massachusetts, Montana, New Jersey, Oklahoma, South Dakota, and Washington) funded professional development activities, including: training programs, teacher recruitment, and income compensation programs, such as reproductions of North Carolina's WAGES and T.E.A.C.H. programs, and other scholarships for child care/early education providers.

- **Increase collaboration with Head Start or Pre-Kindergarten Programs:** At least six states (Alabama, the District of Columbia, Illinois, New Jersey, Oklahoma, and Wisconsin) used transfer funds for collaboration with early education programs, such as an expansion of Head Start slots, combining child care subsidies with Head Start spots to provide full-day services, expanding Early Head Start to zero-to-three-year-olds, and support for a pilot pre-k program.

Thus, TANF transfers have made many of the key child care policy expansions and improvements that have occurred in recent years possible for states. In order to maintain these ongoing commitments, state administrators plan for continued access to TANF transfers. At the time of our interviews, the majority of high-transfer states planned to transfer TANF funds to CCDF at the same or higher levels in FFY 01.

B. Spending TANF Directly for Child Care

More states are using TANF dollars directly for child care expenditures (from seven states in FFY 97 to 35 in FFY 00), and many more TANF dollars are now spent for child care (from $14.7 million in FFY 97 to $1.5 billion in FFY 00). As with TANF transfer, states approach this issue differently depending on the parameters of state priorities and budget strategy.

States seem to choose to spend TANF directly for three main reasons: to access additional TANF funds for child care after maximizing the ability to transfer (most typically by transferring 20% to CCDF and 10% to SSBG); and/or to finance a specific initiative that is more easily funded with TANF than with CCDF dollars, because CCDF restrictions would not apply to TANF-funded child care; and/or to provide child care assistance to TANF recipients through local TANF offices, rather than the state's CCDF structure.

From our survey of all 50 states and DC regarding direct expenditures of TANF funds for child care, we found that:

- **The most common category of families receiving child care funded by TANF direct dollars was TANF recipients.** Twenty-four states out of the 35 that reported using TANF directly to purchase child care services in FFY 00 used at least some of that funding for TANF recipients.

- **However, the majority of TANF funds are being used to purchase child care either to support work or as a short-term benefit; many of the benefiting families likely do not currently receive TANF cash assistance.** The majority (about 77% in FFY 00) of direct TANF funds are being used to fund nonassistance child care, meaning that the children either have an employed parent or the subsidy is being considered a short term, nonrecurrent benefit. The number of states that used TANF directly to purchase child care for non-TANF families nearly dou-

bled between FFY 99 and FFY 00 (from 12 to 23 states). Sixteen states report using TANF direct funds in FFY 00 to provide short-term child care, such as for families in job search or job training.

- **A minority of states uses the flexibility of TANF direct dollars to meet other pressing child care needs.** Some of these needs include child care for non-TANF families in education and training, child care for protective services, early education/pre-kindergarten initiatives, after/before school programs, or child care expenditures for activities other than direct services.

- **States vary as to whether what data they are collecting on families served with TANF dollars directly.** Spending on assistance triggers TANF (but not CCDF) data collection requirements, but spending on nonassistance is subject to *no* federal data collection requirements. In practice, 15 states have elected to extend CCDF data collection requirements to services directly funded with TANF and six are collecting TANF data for all families served with directly spent TANF dollars. However, 14 states do not collect disaggregated data on families served with TANF nonassistance dollars. Therefore, while state transferred dollars will fall under the CCDF reporting requirements, there is no capacity to describe state direct spending of TANF for child care at the national level due to state data collection policy variations and increasing spending rates for child care considered nonassistance.

C. Issues and Concerns

We asked state administrators to comment on what they viewed as the key issues in using TANF funds for child care, and heard the following themes frequently:

State commitment of TANF for child care can vary on a year-to-year basis, and along with uncertainty about future federal TANF funding levels, can make it difficult to conduct long-run state child care policy planning. Although state administrators appreciate what they have been able to achieve using TANF dollars, they are also concerned that economic downturns or future decisions at the state or national level could restrict the amount of TANF available for child care. Thus, while some administrators appreciated the flexibility in being able to make year-to-year choices in the commitment of TANF funds and urged increases in transferability of TANF to CCDF, others emphasized the need for increased CCDF allocations to bring greater stability and predictability to child care budgeting.

Federal rules requiring states to meet different requirements depending on whether child care expenditures with TANF are considered assistance or nonassistance are burdensome. State administrators expressed frustration with the federal rules that make child care for nonemployed families count as TANF assistance, thus triggering TANF time limits, work, and data collection requirements. This is particularly a

problem where states are using TANF to provide an after-school or prekindergarten program, and do not want to exclude children in nonemployed families or be forced to apply welfare-related requirements to those families in order for their children to be able to participate.

Prohibitions on using prior year TANF funds for nonassistance purposes needlessly complicate state child care budget decisions. A state can use unobligated prior year TANF funds for child care for nonemployed TANF recipients, but not for employed families. While a state could use complex accounting approaches (i.e., use the prior year funds for TANF recipients, therefore "freeing up" current year funds for working families), the process is administratively complicated and serves no obvious policy goal.

Current data collection requirements for TANF-funded child care services are inconsistent and sometimes counterproductive. As described earlier, a state has to report different data depending on which funding stream it uses to finance which family in its child care subsidy system. To address this, a couple of states suggested altering the reporting requirements so one set of data can be reported for all child care subsidy recipients, regardless of whether they are served by direct TANF or CCDF funds. Some states, however, expressed reluctance to extend CCDF data collection requirements, or indicated that they would only be amenable to such a requirement if there were an overall examination of what ought to be collected as part of CCDF data collection.

V. Discussion and Recommendations

It seems clear that one of the biggest and least anticipated consequences of the TANF caseload decline has been the redirection of resources to child care. In 1996, many people were aware that states would have the option to transfer TANF funds to CCDF, but most did not expect that child care needs and spending would increase so dramatically, or that TANF would play so large a role in expanding child care resources. As we look toward reauthorization of TANF and CCDF in 2002, this unexpected experience has important implications for decisions in setting both TANF and CCDF funding levels, and suggests the need for some adjustment in the current rules governing use of TANF funds for child care.

In recent months there has been much discussion, and considerable uncertainty, about whether there will be efforts to reduce TANF funding during reauthorization. While there do not appear to be formal proposals to do so, many people fear that in light of TANF caseload decreases, some members of Congress will be assuming that it should be possible to reduce TANF funding. There are many reasons why a reduction in TANF funding would result in adverse impacts on states and families, in light of the array of ways that TANF funds are now being used for basic assistance and work and family supports.[14] While there may be general appreciation of this point, our review highlights the extent to which state child care systems have become increasingly and significantly dependent on TANF

funding. Thus, it is important for Congress and others to understand that a cut in TANF funding likely would mean, in many states, a cut in child care funding. Thus, maintenance or expansion of TANF funding should be seen as a key aspect of continued support for child care.

However, our research raises concerns about the stability of TANF funding for child care as states face economic uncertainty. We repeatedly heard accounts of how difficult long-run planning is when an administrator cannot make accurate projections about the availability of child care funding. We think this suggests the clear need to provide new CCDF child care funding, both to respond to unmet needs, and so that the extent of dependence on TANF funds could be decreased. Building more stability (and additional resources) into the federal funding structure could foster the ability of states to engage in strategic planning for improvements to their child care systems.

At the same time, we also heard evidence that states appreciate both the ability to access TANF dollars for child care to meet state specific needs, and the flexibility of the current transfer/direct spend structure. States are using both the option to transfer TANF to CCDF and to directly spend TANF for child care purposes. Although some may argue that increasing transferability of TANF funds might ultimately be simpler and clearer if child care funding from these two sources followed a single set of rules and were administered under a single administrative structure, others might counter that states need the option to spend TANF directly to meet needs for child care that would not be possible if those funds were always subject to CCDF rules. The key point, though, is that Congress should not view an expansion of transferability as preferable to increasing CCDF funding during reauthorization.

CLASP's review of state experiences has resulted in a set of recommendations. While our recommendations are informed by conversations with state administrators, we are solely responsible for these proposals, and they should not be construed to be the viewpoints of any entity other than CLASP.

We recommend that:

- **The amount of federal resources specifically dedicated to child care through the CCDF should be increased, and current access to TANF for child care should be maintained.** The state commitment of TANF funds to child care is a compelling indication of the critical need for child care assistance in states. There are strong indications that the additional funds have made a significant difference, yet have only addressed a fraction of the need for assistance. We do not recommend that child care needs be solely addressed through increasing access to TANF dollars, since this will increase state dependence on TANF for child care and perpetuate instability issues. We do recommend that the current flexibility states have in using TANF dollars for child care be maintained.

- **The distinction between assistance and nonassistance child care should be eliminated, and all expenditures for child care with TANF funds should be classified as nonassistance.** If all child care were treated as nonassistance, it would greatly simplify the ability of states to use TANF for child care without drawing complex distinctions among categories of care. Since this distinction appears in federal regulations rather than in the TANF statute, we believe HHS could address this problem now by revising TANF regulations. If HHS does not do so, we recommend that the federal statute be modified to expressly categorize child care as not falling within the definition of TANF assistance.

- **The rules restricting use of prior-year TANF funds should be revised, so that a state could spend prior year unobligated TANF funds for nonassistance, and could transfer prior-year TANF funds to CCDF to the extent that the state had not reached its maximum transfer amount.** HHS could also address this issue now; the policy was announced when the TANF regulations were issued, and only appears in HHS instructions and regulatory preamble language. As with assistance/nonassistance, the issue could also be addressed in reauthorization.

- **Whenever TANF funds are being used for child care, they should be fully subject to CCDF data collection requirements.** Given the large number of children served with TANF, common data collection provisions across TANF and CCDF are important in order to have an accurate count of the numbers of families and children receiving subsidy assistance and in order to have consistently-collected information about the characteristics of the families, children, and providers. Under current law, if HHS revised its regulations so that child care was not considered assistance, then the child care would no longer be subject to TANF assistance reporting requirements, and states could voluntarily elect to use CCDF reporting requirements (as some do now) but would not be required to do so. We note that some states described circumstances in which detailed data collection requirements could interfere with other policy goals, e.g., when a state is providing on-site child care on a walk-in basis at a local office, when a state wishes to provide short-term, flexible, one-time assistance. We agree that it is appropriate to consider whether there are instances where disaggregated data need not be collected, but however the issue is resolved, the same rules ought to apply to both TANF and CCDF.

- **Congress should review CCDF data collection requirements with a focus on simplifying and improving the policy relevance of data collected. As stated above, the same data elements should then be made generally applicable to TANF-funded child care assistance, and states should be strongly encouraged to collect the same core data for state-funded child care assistance.** The federal statute would need to be revised to implement this recommendation.

CONCLUSION

One of the least anticipated consequences of TANF implementation has been the large redirection of resources to child care. States have demonstrated through their budgeting priorities that the need for child care assistance is far in excess of current CCDF funding levels. We have therefore recommended both that the amount of federal resources specifically dedicated to child care through CCDF should be increased, and current access to TANF for child care should be maintained. As we have noted, there are a number of ways in which federal law and regulations could be simplified to reduce administrative complexity, and there is a clear need to improve data collection in order to ensure that there is a clearer picture of how funds are being used and who is - and is not - being helped with available funds. At the same time, policymakers should appreciate that states have taken this opportunity to convey the importance of child care funding, and that in reauthorization, it is essential to address both the amount and the stability of that funding.

Notes

1 See U.S. Census Bureau, *Statistical Abstract of the United States*: 2000, 120th edition (Washington, DC: U.S. Census Bureau, 2000), Table No 653.

2 Linda Giannarelli & James Barsimantov, *Child Care Expenses of America's Families* (Washington, DC: The Urban Institute, 2000). Lower income families were less likely to incur child care costs (40%, versus 53% for higher income families), but when costs were incurred, they represented a much higher share of family income.

3 U.S. Department of Health and Human Services, Administration for Children and Families, press release, *New Statistics Show Only a Small Percentage of Eligible Families Receive Child Care Help* (Washington, DC: U.S. Department of Health and Human Services, December 2000). http://www.acf.dhhs.gov/new/ccstudy2.htm. The CCDF numbers do not take into account children served through other federal or state early education programs, or children served through direct TANF expenditures. For example, the federal Head Start program enrolled approximately 826,000 children in FFY 99, and state pre-kindergarten programs enrolled over 724,000 children in the 1998-1999 year.

4 See J. Lee Kreader, Jessica Brickman Piecyk, and Ann Collins, *Scant Increases After Welfare Reform: Regulated Child Care Supply in Illinois and Maryland, 1996-1998*. (New York, NY: National Center for Children in Poverty, June 2000); and Rachel Gordon & P. Lindsay Chase-Lansdale, *Availability of Child Care in the United States: A Description and Analysis of Available Data Sources in Demography*, Volume 38-Number Two, May 2001: 299-316.

5 Jack P. Shonkoff & Deborah A. Phillips, Editors, *From Neurons to Neighborhoods: The Science of Early Childhood Development* (Washington, DC: National Academy Press, 2000).

6 For more detail on the TANF regulations, see Mark Greenberg & Steve Savner, *The Final TANF Regulations: A Preliminary Analysis* (Washington, DC: Center for Law and Social Policy, 1999); for more detail on the CCDF, see Mark Greenberg, Joan Lombardi, and Rachel Schumacher, *The Child Care and Development Fund: An Overview* (Washington, DC: Center for Law and Social Policy, 2000).

7 For details on using TANF for child care, see CLASP's full report of this same title.

8 In addition to transferring TANF funds to the CCDF and SSBG, states may opt to use TANF funds to provide matching funds for Job Access and Reverse Commute Program, administered by the U.S. Department of Transportation (DOT) and the Federal Transit Administration (FTA). The total amount of TANF funds that can be used for matching purposes for the Job Access and Reverse Commute Program during each fiscal year is the difference between 30% of a state's TANF award and the amount the state transfers to the CCDF and the SSBG. See *Use of TANF, WtW, and Job Access Funds for Transportation* (Washington, DC: Federal Transit Administration, 2000) for a broader discussion of Job Access and Reverse Commute Grants and the use of TANF for this purpose.

9 For more detail on assistance/nonassistance distinctions, see Mark Greenberg & Steve Savner, *The Final TANF Regulations: A Preliminary Analysis* (Washington, DC: Center for Law and Social Policy, 1999).

10 Note that in this analysis, we often refer to "commitment" of funds for child care rather than "spending." The reason is that available data allows us to see the extent to which TANF funds were transferred or directly spent in a year, but transferred funds may not be spent until the next or the subsequent year. Transferred funds could also ultimately be returned to TANF, though this has rarely occurred. In telephone interviews, 22/24 states indicated that no FFY 99 funds would be returned; in one instance, the child care agency had been directed by legislators not to obligate transferred funds because the transfer had occurred without legislative authorization. In another instance, the telephone interviewee indicated that the return of transferred TANF funds might be possible.

11 In addition, before 2001, there was no prohibition against using CCDF funds to supplant prior state funding. However, in FFY 2001, Congress provided states an additional $817 million in CCDF funds, and a non-supplantation provision was included with the additional funding. The Labor-HHS Appropriations Act, provided: "For carrying out sections 658A through 658R of the Omnibus Budget Reconciliation Act of 1981 (The Child Care and Development Block Grant Act of 1990), in addition to amounts already appropriated for fiscal year 2001, $817,328,000, such funds shall be used to supplement, not supplant state general revenue funds for child care assistance for low-income families..."

12 The "high-transfer" states were Alabama, Alaska, Arizona, Colorado, District of Columbia, Florida, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, Missouri, Montana, New Jersey, North Carolina, Oklahoma, South Dakota, Tennessee, Washington, Wisconsin and Wyoming. Our definition of "high-transfer" state focused explicitly on the percentage of TANF transferred (20% or more in FFY 99 or FFY 00.). Two states (DC and Wyoming) are included because the data available at the time of our interviews indicated that they met our "high-transfer" definition, although subsequent information moved them out of that category. In the case of DC, $20 million FFY 99 TANF out-of-wedlock bonus was not included initially in the District's FFY 99 TANF award, but when included in our calculations this meant that technically DC transferred only 16% of FFY 99 TANF to CCDF. Wyoming's status changed when the state had to transfer some of its' FFY 99 TANF transfer back from CCDF (See Table Two, footnote 8). Two other states (Minnesota and Montana) did not qualify as "high-transfer" at the time of CLASP's interviews, but now do. In the case of Minnesota, final FFY 99 reporting revealed that the state transferred 22% of TANF to CCDF. Some Minnesota data are included in this report, but CLASP did not interview the state. Montana's final reporting for FFY 99 showed 25% TANF transfer to CCDF. Since the state provided comprehensive data on use of those funds, we include Montana data and count it as a "high-transfer" state.

13 Tiered Reimbursement in Tennessee did not go into effect until August 1, 2001.

14 Courtney Smith, Susan Golonka & Frederica Kramer, *The Evolving Nature of Welfare Reform: Where We Stand on the Eve of Reauthorization* (Washington, DC: National Governors Association, 2001).

Use of TANF for Child Care in FFY 1999 and 2000: Transfers to CCDF and Direct Spending on Child Care

State	FFY 99 Total Transfer (97,98,99 Funds Included)		FFY 99 Transfer of FFY 99 Funds		FFY 99 Direct Spend (in millions)[3]	FFY 99 Total Transfer/Direct (in millions)	FFY 00 Transfer of FY 00 Funds		FFY 00 Direct Spend (in millions)[3]	FFY 00 Total Transfer/Direct (in millions)
	Transfer (in millions)	% of TANF[1]	Transfer (in millions)	% of TANF[2]			Transfer (in millions)	% of TANF		
Alabama	$38.5	25%	$23.7	20%	$7.5	$46.1	$20.3	17%	$1.9	$22.2
Alaska	$30.5	38%	$13.8	21%	$2.1	$32.6	$13.1	20%	$7.6	$20.7
Arizona	$40.6*	13%	$0.0	0%	$2.3	$42.9	$51.7	20%	$27.3	$79.0
Arkansas	$0.0	0%	$0.0	0%	$0.0	$0.0	$5.0	8%	$5.5	$10.5
California	$307.3	6%	$307.3	8%	$171.3	$478.6	$520.3*	14%	$539.7*	$1,060.0
Colorado	$6.0*	3%	$6.0*	4%	$0.0	$6.0	$29.2*	20%	$1.3	$30.5
Connecticut	$0.0	0%	$0.0	0%	$35.8	$35.8	$0.0	0%	$21.2	$21.2
Delaware	$1.0	3%	$0.1	0.3%	$0.0	$1.0	$4.8	14%	$0.0	$4.8
DC	$18.5	13%	$18.5	16%	$11.9*	$30.4	$18.5	16%	$12.4	$31.0
Florida	$117.6	12%	$117.6	20%	$94.3*	$211.9	$117.6	19%	$132.2	$249.8
Georgia	$15.9	4%	$15.8	5%	$0.0	$15.9	$51.7	14%	$1.0	$52.7
Hawaii	$11.9*	11%	$5.6	6%	$0.0	$11.9	$0.9	1%	$0.0	$0.9
Idaho	$6.6	10%	$6.6	20%	$0.0	$6.6	$6.6	20%	$2.7*	$9.3
Illinois	$117.0	20%	$117.0	20%	$35.2	$152.2	$125.3	20%	$23.0	$148.4
Indiana	$112.1	28%	$56.0	27%	$15.7*	$127.8	$41.4	19%	$111.1	$152.5
Iowa	$14.4*	9%	$10.6*	8%	$0.005[4]	$14.4	$26.4	20%	$0.002[4]	$26.4
Kansas	$6.1*	5%	$6.1	6%	$0.0	$6.1	$15.3	15%	$0.0	$15.3
Kentucky	$54.5	24%	$36.2	20%	$10.4	$64.8	$36.2	20%	$14.5*	$50.7
Louisiana	$102.1	35%	$51.7	30%	$0.0	$102.1	$54.1	30%	$0.1*	$54.2
Maine	$7.6	10%	$7.6	10%	$8.2*	$15.8	$7.3	9%	$3.4	$10.8
Maryland	$91.6	24%	$0.0	0%	$2.5	$94.1	$45.8	20%	$28.9	$74.7
Massachusetts	$91.9	19%	$91.9	19%	$45.2*	$137.1	$91.9	20%	$104.7	$196.6
Michigan	$96.1	11%	$96.1	12%	$211.2	$307.2	$9.4	1%	$151.2	$160.6
Minnesota	$58.3*	14%	$57.5*	22%	$0.0	$58.3	$17.1	6%	$0.0	$17.1

Use of TANF for Child Care in FFY 1999 and 2000
Transfers to CCDF and Direct Spending on Child Care

State	FFY 99 Total Transfer (97,98,99 Funds Included)		FFY 99 Transfer of FFY 99 Funds		FFY 99 Direct Spend (in millions)[3]	FFY 99 Total Transfer/Direct (in millions)	FFY 00 Transfer of FY 00 Funds		FFY 00 Direct Spend (in millions)[3]	FFY 00 Total Transfer/Direct (in millions)
	Transfer (in millions)	% of TANF[1]	Transfer (in millions)	% of TANF[2]			Transfer (in millions)	% of TANF		
Mississippi	$8.7	6%	$8.7	10%	$0.0	$8.7	$18.7	20%	$6.1	$24.8
Missouri	$43.4	15%	$43.4	20%	$0.0[4]	$43.4	$20.7	10%	$0.0[4]	$20.7
Montana	$18.4*	25%	$5.5	12%	$0.0	$18.4	$7.6	17%	$0.0	$7.6
Nebraska	$5.0[5]	5%	$5.0[5]	9%	$0.0	$5.0	$4.0[5]	7%	$0.0	$4.0
Nevada	$0.0	0%	$0.0	0%	$0.0	$0.0	$0.0	0%	$0.6*	$0.6
New Hampshire	$0.0	0%	$0.0	0%	$0.0	$0.0	$0.0	0%	$0.0	$0.0
New Jersey	$205.7*	33%	$80.8	20%	$27.0*	$232.7	$79.8	20%	$0.0	$79.8
New Mexico	$13.7	7%	$13.7	10%	$0.0	$13.7	$19.5	15%	$0.0	$19.5
New York	$269.6	9%	$5.0	0%	$0.0	$269.6	$437.0	18%	$0.0	$437.0
North Carolina	$80.8	20%	$80.3	25%	$1.1	$81.8	$65.9	20%	$15.4	$81.3
North Dakota	$0.0	0%	$0.0	0%	$0.0	$0.0	$0.5	2%	$1.0	$1.5
Ohio	$0.0	0%	$0.0	0%	$19.4	$19.4	$77.5	11%	$79.0	$156.5
Oklahoma	$77.9	30%	$29.5	20%	$10.5	$88.3	$30.2	20%	$21.2	$51.4
Oregon	$0.0	0%	$0.0	0%	$5.7	$5.7	$0.0	0%	$15.8	$15.8
Pennsylvania	$127.0	12%	$127.0	18%	$0.0	$127.0	$67.1	9%	$13.9	$81.1
Rhode Island	$13.6	12%	$13.6	14%	$0.0	$13.6	$4.1	4%	$0.0	$4.1
South Carolina	$3.5	3%	$3.5	3%	$0.0	$3.5	$1.0	1%	$0.0	$1.0
South Dakota	$0.0	0%	$0.0	0%	$0.0	$0.0	$4.4	20%	$0.0	$4.4
Tennessee	$51.8	18%	$51.8	26%	$4.7	$56.5	$50.4	24%	$7.8*	$58.2
Texas	$30.6	4%	$30.6	6%	$0.0	$30.6	$38.3	7%	$0.0	$38.3
Utah	$3.7	4%	$3.7	5%	$0.0	$3.7	$0.0	0%	$1.2	$1.2
Vermont	$7.6	13%	$7.7	16%	$1.0	$8.6	$7.7	16%	$2.7	$10.4
Virginia	$29.2	15%	$29.2	16%	$0.0*	$29.2	$27.7	17%	$0.0*	$27.7
Washington	$121.0	22%	$121.0	30%	$0.1[7]	$121.1	$97.5*	24%	$4.2*	$101.6
West Virginia	$5.4*	3%	$5.4*	5%	$0.0	$5.4	$0.0*	0%	$6.7	$6.7
Wisconsin	$71.3	13%	$63.5	20%	$24.2	$95.5	$63.5	20%	$90.5	$154.0

Use of TANF for Child Care in FFY 1999 and 2000
Transfers to CCDF and Direct Spending on Child Care

State	FFY 99 Total Transfer (97,98,99 Funds Included)		FFY 99 Transfer of FFY 99 Funds		FFY 99 Direct Spend (in millions)[3]	FFY 99 Total Transfer/Direct (in millions)	FFY 00 Transfer of FY 00 Funds		FFY 00 Direct Spend (in millions)[3]	FFY 00 Total Transfer/Direct (in millions)
	Transfer (in millions)	% of TANF[1]	Transfer (in millions)	% of TANF[2]			Transfer (in millions)	% of TANF		
Wyoming	$1.2[9]	2%	$1.2[9]	6%	$0.0	$1.2	$0.0[9]	0%	$0.0	$0.0
TOTAL	$2,535.1	11%	$1,775.9	11%	$747.2	$3,282.2	$2,433.3	14%	$1,455.8	$3,889.1

Source: Calculations by CLASP from U.S. Department of Health and Human Services, Administration for Children and Families, TANF Program Federal Awards, Transfers and Expenditures through 4th Qtr. FFY 99 and TANF Program Federal Awards, Transfers, and Expenditures through 4th Qtr. FFY 00. Available at http://www.acf.dhhs.gov/programs/ofs/data/index.html. All figures based on HHS data, unless noted as state-verified data that differ from HHS data. (See Notes below.)

Clarification on TANF Transfer Rules: In FFY 99, states were allowed to transfer funds still available from previous year TANF grants until the end of that fiscal year. Beginning in FFY 00 (October 1, 1999), federal regulations limited states to transferring TANF funds from the current year only. When a state transfers TANF to CCDF, the state may spend those funds over the next two fiscal years. Therefore, funds transferred in a certain year may not necessarily have been spent in that fiscal year.

Notes: *State-verified data. Differs from the HHS data available at http://www.acf.dhhs.gov/programs/ofs/data/index.html.
[1]The percentage of transferred TANF funds, including FFY 99, 98 and 97 funds, of the total amount of Federal funds available for transfer in FFY 99.
[2]The percentage of FFY 99 transferred TANF funds of the Total FFY 99 TANF award.
[3]Direct spending for this fiscal year includes direct spending with funds from prior year TANF grants expended in this year.
[4]For Iowa, FFY 99 direct spending is estimated according to State FY 00 spending, and FFY 00 direct spending is estimated with state FY 01 spending.
[5]TANF funds spent by Missouri (and potentially other states) on after-school child care programs are not always reflected as TANF spending for child care in the states' ACF-196 Federal Data Reporting. These after-school programs may fall under Purpose Three of TANF, which addresses teen pregnancy prevention, and therefore spending on after-school programs may be included in a state's TANF spending for pregnancy prevention, rather than child care.
[6]For Nebraska, $9 million in total was transferred in SFY 2000. See FFY 99 and FFY 00 transfer amounts above.
[7]Washington reported this direct spending under "Other Work Activities" on their ACF-196 reporting form. However, these were specifically child care expenses.
[8]Wyoming's FFY 99 transfer amount reflects the negative transfer amount provided by HHS regarding Wyoming's FFY 00 transfer. The state appears to have originally transferred $4.1 million to CCDF in FFY 99, but subsequently returned $2.9 million of the FFY 99 transfer from the CCDF back to TANF.

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APPENDIX B

Impact and Use of Transferred TANF Funds in High-Transfer States Through FFY 2000	
Alabama	• **Expanded the number of children served** by reducing the waiting list for child care for low-income families. The number of low-income families being served has increased sharply and the waiting list has declined. (From 1998 to 1999, the average number of children served by child care subsidies in AL increased from 18,429 to 31,444.) • **Helped develop a pre-k** pilot in eight sites. This pilot is funded by a mix of state, federal and private funds. TANF support is for five children per site from "needy" employed families. • **Employed new child care standards**, including lower staff-child ratios, criminal background checks for child care employees, and new training standards for child care employees.
Alaska	• **Expanded the number of children served** through a reduction of the wait list and the purchase of additional services.
Arizona	• **Expanded the number of children served** in an average month from 32,000 in FFY 98 to 39,000 in FFY 00. There is no waiting list for child care in this state. • **Increased income eligibility.** • Implemented the first **provider rate increase** in nine years using TANF transfer, as well as now able to offer enhanced rates for accredited providers. • Doubled the amount of money set-aside for **quality initiatives** including: 1) general supply building, 2) collaboration between local organizations and businesses to assess, plan, and sustain the expansion of child care including an expansion of infant/toddler child care, school-age care and non-traditional hours, 3) Early Care and Education introductory training for child care providers, low-income parents who may wish to enter the field, 4) training for center and home based child care providers, and 5) coordination projects such as those that assist home providers in pursuing accreditation. • **Provided child care services** for children in domestic violence and homeless shelters.
Colorado	• **Expanded the number of children served.** • Undertook **quality initiatives**, such as help with new facility start up, and increases for providers' salaries and compensation. • **Increased reimbursement rates** in some counties. • **Raised eligibility** in some counties. • **Conducted outreach** in some counties.
DC	• **Expanded the number of children of working parents that could be served.** • **Created more non-traditional hours care.** • **Expanded income eligibility,** from 212% of FPL to 250% of FPL. • **Lowered sliding co-payment/fee scale.** • **Trained TANF recipients** to become licensed family child care providers and center-based infant/toddler providers. • **Implemented tiered reimbursement rates.** • **Provided scholarships to teachers seeking higher education.** • Created an **infant/toddler quality initiative** to measure quality in centers and help them improve by pairing them with TA specialists to work closely with centers for 12 months. • **Increased collaboration with Head Start,** by using funds to extend the Head Start day and Head Start year, as well increased collaboration with pre-k.
Florida	• **Expanded the number of children served.** Reduced the waiting list. Although there was growth in child care enrollment as a result of transferred funds, Florida estimates that there is still unmet need for child care/early education services. Florida's School Readiness Estimating Conference has performed an unduplicated count of children who are eligible for all Federal child care/early education programs (including child care subsidies and Head Start). The conference has found that there are 272,955 children birth to age five that are eligible for one or more of these programs but are not receiving services. Of these children, 60% have working parents earning less than 200% of the FPL. • **Increased eligibility for child care** by expanding the exit level for care to 200% of the FPL. • **Improved the quality of existing child care** by creating a 20% differential payment for accredited or □gold seal□ programs. • **Sustained a transitional child care program, a formal diversion program, and the Child Care Executive Partnership.**

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Impact and Use of Transferred TANF Funds in High Transfer States Through FFY 2000	
Idaho	• **Expanded the number of children served.** Without transfer, the state may have had to implement a waiting list to accommodate demand. Now serving around 2,000 more children on an annual basis (out of 9,700-10,000 total) for a total of serving 26% of state eligible children. • Since 1996, the state added child care to their one stop system, and **simplified access** by developing one application for several work support programs (including CHIP, child care, TANF, and food stamps). CHIP outreach increased child care demand as a result. • **Implemented rate increases** based on a recent market rate survey in 2001.
Illinois	• **Created a guarantee to serve families under a certain income limit** as long as funding is available. • Conducted **outreach and addressed accessibility issues**. • **Expanded the number of children served.** Expanded child care budget to $664 million, with an average monthly caseload of 218,000 children up from 92,000. The block grant structure of TANF prompted Illinois to create a seamless system. It has been difficult to gauge potential uptake, but the state now believes it's serving close to 50% of potentially eligible children. The state eligibility limit is up to 50% of SMI for 1997 ($21,819), plus a 10% income disregard up to $24,000. • Dramatically **increased funding for T.E.A.C.H. (a teacher education incentive program).** • Initiated the Great Start program to **supplement teacher wages.** • **Used $10 million to collaborate with Head Start.** • **Increased reimbursement rates for providers by $40 million overall.**
Indiana	• **Expanded the number of children served** from 25,000 to 55,000 a year (This includes some expansion made possible by direct TANF spending, as well as transferred TANF funds). Eliminated their child care waiting list in FFY 00, but it has now returned to 7,000 children. • **Started T.E.A.C.H. (a teacher education incentive program)** in June 1999; which has distributed 1,500 scholarships to child care teachers seeking higher education. It is estimated that 25,000 children will be affected by this program.
Iowa	• **Expanded the number of children served** and are now serving an estimated 15,000 children per month. In Oct of 2000, they went to a waiting list, but they would have had to do this sooner without the transfer. TANF recipients were exempt from the waiting list, which was eliminated as of July 2001. • **Raised provider reimbursement rates** (July 2000) to the 75th percentile of the 1998 market rate survey(They had been at the 75th percentile of the 1996 market rate survey.) • **Implemented Quality initiatives** including 1) funding for child care emergency and start-up grants, 2) aid for providers of school-age care, 3) expanded education opportunities for child care home providers, 4) efforts to increase the number of registered providers, 5) revised the entry-level child care curriculum distributed through the resource and referral agencies, and 6) contracted Resource and Referral Agencies to expand the services of their child care home consultants. • **Funded the Early Childhood Empowerment Area initiative,** in which designated areas may access funds on behalf of the low-income families with children from birth to age five in their area. Empowerment areas develop plans for the birth to five population, and Early Childhood funding is used to support that plan specifically in the area of child care.
Kentucky	• **Expanded the number of children served** and eliminated their waiting list. • **Increased income eligibility** from 133% to 160% of FPL. • **Quality initiatives** include 1) increased licensing/monitoring enforcement and 2) hired more licensors.
Louisiana	• **Expanded the number of low-income working families served.** From FFY 97 to FFY 01, the number of children served grew from 16,000 to 48,000 children (out of 200,000 estimated need). The state is now beginning to use TANF direct spending for TANF recipient child care. Currently, there is a 1,500 person waitlist, and the state has had to increase co-payments and lower eligibility to deal with growing demand. • **Increased training requirements** for family child care providers to 12 hours a year and providing that training through contracts with state universities and cooperative extension. Without transfer dollars, the state probably would have had to focus more on subsidy only.

Impact and Use of Transferred TANF Funds in High-Transfer States Through FFY 2000	
Maryland	• **Expanded the number of children served by expanding income eligibility** from 40% of the SMI to 45% SMI in FFY 00. • **Capped co-pay** at third child (no co-pay beyond that for three children). • **Disregarded $2,200 of annual family income for teen parents**relatives or adults that are caring for them. • Created a **differential payment for non-traditional hours** (7pm to 6am) and weekends.
Massachusetts	• **Expanded the number of children served.** In FFY 99, an Income Eligible Expansion was undertaken to help serve children on waiting lists. $16.4 million was allocated to support 3,500 child care slots for children on waiting list (9 month funding). The state also allocated $25 million to support 5,700 child care slots for TANF families in education/training or families in their first year of transition after leaving the TANF caseload. In FFY 00, the Income Eligible Expansion continued to serve low-income children on a waiting list for child care. $7.5 million was allocated for 2,116 slots for low-income children waiting for care. Other expansion initiatives include: 1) Supportive Child Care Expansion: $1.7 million to support children in supportive child care, for six months of service in FFY 00. 2) Trial Court Child Care: $250,000 for 6-month funding for child care programs in the two trial courts. • **Increased Provider Rates for Region One and Five.** $5.3 million allocated for rate increases to licensed providers. • **One-Time Quality Improvements**: $3.5 million allocated for improvements in infant/toddler child care, school-age child care, Resource and Referral agencies, and one-time IT costs. • In 2000, funded Resource and Referral Agencies with $3.5 million above the FFY 99 award to be used for management of TANF child care vouchers, **consumer info and public education, child care provider recruitment and training, improved coordination** with child care community, and additional resources to increase mainstreaming for children with disabilities. • In 2000, **supported growth in TANF child care caseloads** including ESP Voucher Account, the Teen Parent Account, Post-Transitionals, and In-home/Relative Account.
Mississippi	• **Expanded the number of children served,** although 15,000 children are still on a waiting list. All of the 1999 and 2000 TANF transfer to CCDF went to contracts for operation of the state's subsidy program. The state estimates that with the FFY 99 transfer, they were able to serve 3,300 more children, and the FFY 00 transfer allowed them to serve about 7,100 more children.
Missouri	• **Increased reimbursement rates** for programs serving more than 50% subsidized children, for accredited programs, special needs, evening and weekend care, and across-the-board for infant/toddler care. • Maintained their child care system without a waiting list.
Montana	• **Expanded the number of children served.** Montana was able to serve all families on its' waiting list with the help of transferred funds, and has eliminated its waiting list as of July 2001. • **Increased reimbursement rates,** in October 1998 and October 2000, to raise the state child care provider payment rates to the 75th percentile of the market rate survey. • **Quality initiatives** include an increase in grants to providers for **start-up and expansion,** improved **career development efforts** for child care providers, **expanded scholarship funds for providers** to obtain their Child Development Associates, **increased training opportunities for providers,** and plan to add an **inclusion coordinator** in 2002.

Impact and Use of Transferred TANF Funds in High-Transfer States Through FFY 2000	
New Jersey	• **Expanded the number of children served.** Implemented a time-limited wait list reduction initiative from 1997-1999 using $100 million in transferred TANF funds. Expanded 8,000 slots through Sept 2001. First eliminated their child care waiting list (of 8,000), but then the list grew again to 7,000 due to continued need. • **Implemented a 10% rate increase** in 1999, as well as a 5% rate differential for reimbursement. The state plans to use FFY 00 dollars to extend to June 2002. • **Extended subsidy to more than 1,700 families at the end of their two-year transition guarantee.** • **Financed new criminal background check requirement** for all staff. • **Developed a statewide accreditation project.** • **Provided a scholarship program** to help teachers meet education requirements in the Abbott school districts (state early education initiative in low-income districts). • **Enhancement grants for child care providers participating in Abbot program.** • **Provided funding for Substitute initiative** in Abbott school districts to cover the cost of hiring appropriate substitutes when teachers are attending college classes or school district training. • **Provided funding for Bright Beginnings III, to expand or create child care centers** for pre-school children in Abbott school districts. Funds were used for minor renovations and equipment.
North Carolina	• **Expanded the number of children served,** from 48,000 to 64,500 annually, while growing from $76 to $103 million budget. • **Implemented new provider rates** in September 2000, based on Star Tiered Licensing system.
Oklahoma	• **Enabled them to sustain their child care program,** given minimal investment from the state. This state has never had a waiting list for child care. • **Implemented tiered reimbursement system,** and attempted to get closer to the market rate of payment for child care providers. • **Started T.E.A.C.H.** (teacher education incentive program). Begun in May of 2000 with 1,000 scholarships. • **Created First Start,** an initiative from birth to age three that expanded Early Head Start, using centers that meet Head Start and accreditation standards. • **Started REWARD,** which is a new compensation initiative for child care providers based on the North Carolina WAGES program. • **Recruited new teachers to the field** through Scholars for Excellence in Child Care initiative, which places a coordinator in Community Colleges to recruit and mentor for CDA or the state's certification of mastery.
South Dakota	• **Expanded the number of children served,** without the use of a waiting list. • **Lowered sliding fee scale,** used for parental co-pay. • **Increased income eligibility.** • **Raised quality spending** for purposes such as 1) training and career development, 2) grants to help providers meet health and safety requirements, and 3) the Bright Start project, which is a 2-city pilot that has a visiting nurse component, provides parental education, etc. and 4) Responsible parenting classes held in child care centers. • **Funded a before and after-school initiative**
Tennessee	• **Expanded the number of children served,** served approximately 16,842 additional children. • **Increased income eligibility,** in 1998, from 55% of the 1997 SMI to 60% of the 1997 SMI. In 1999, income eligibility was raised again; from 60% of the 1997 SMI to 60% of the 1999 SMI. • **Raised reimbursement rates** from 65% to 70% of the average market rate in 1999. • **Improved standards** by increasing the number of monitoring visits per year, and increasing salaries for monitors. • **Will introduce a tiered/rated licensing system,** August 2001.

Impact and Use of Transferred TANF Funds in High-Transfer States Through FFY 2000	
Washington	• **Expanded the number of children served** by **increasing income eligibility from 175% FPL to 225% FPL.** • **Set aside some funds for infant, toddler, children with special needs, school-age and non-traditional care supply.** • **Provided scholarships to child care providers** for professional development activities. • **Implemented a micro loan program** to startup or expand child care facilities. • **Implemented employment compensation for center employees** based on education and experience.
Wisconsin	• **Expanded the number of children served.** Eliminated the state's waiting list. • **Fully funded the state's child care subsidy program.** • **Increased income eligibility from 165% to 185% of FPL in March 2000.** Also, eliminated asset test and no longer count child support toward child care eligibility. • **Reorganized and simplified co-payment scale,** with maximum co-pay lowered from 16% to 12% of family income. • **Expanded quality initiatives.** • **Created Early Childhood Excellence Centers** in low-income neighborhoods. • **Worked with Head Start** to create full day full year slots. • **Increased Resource and Referral Agency budgets.** • Contracted grants to increase supply of quality programs. • **Increased site visits** to family child care homes. • **Established automated file of regulated providers statewide.**
Wyoming	• **Expanded the number of children served;** no waiting list for child care required. • **Increased initial income eligibility** limits from 150 to 185% of FPL. • **Conducted outreach campaign.** • **Implemented quality and capacity-building grants** ($1.5 million) for various types of specialty care including school-age and infant/toddler services.
Source: CLASP interviews and communications with CCDF state administrators, 2001.	

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